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CONTENTS

SOUTH VIETNAM: Government drive in north meets resistance. (Page 1)

LAOS: Government pushes campaign in the south. (Page 3)

ITALY: Local election results unsettle Andreotti government. (Page 4)

THE YEMENS: A step toward unity. (Page 6)

THAILAND: Insurgents attack district headquarters (Page 7)

EUROPEAN LABOR: Unions consider confederation (Page 7)

SECRET

SOUTH VIETNAM: The North Vietnamese are continuing to offer stiff resistance as government forces try to advance northward in northern Quang Tri Province.

Near the coast, heavy enemy shelling and ground attacks temporarily forced South Vietnamese Marine elements to pull back from forward positions near the Cua Viet River. Fresh government units reportedly have now regained the lost territory and renewed their advance.

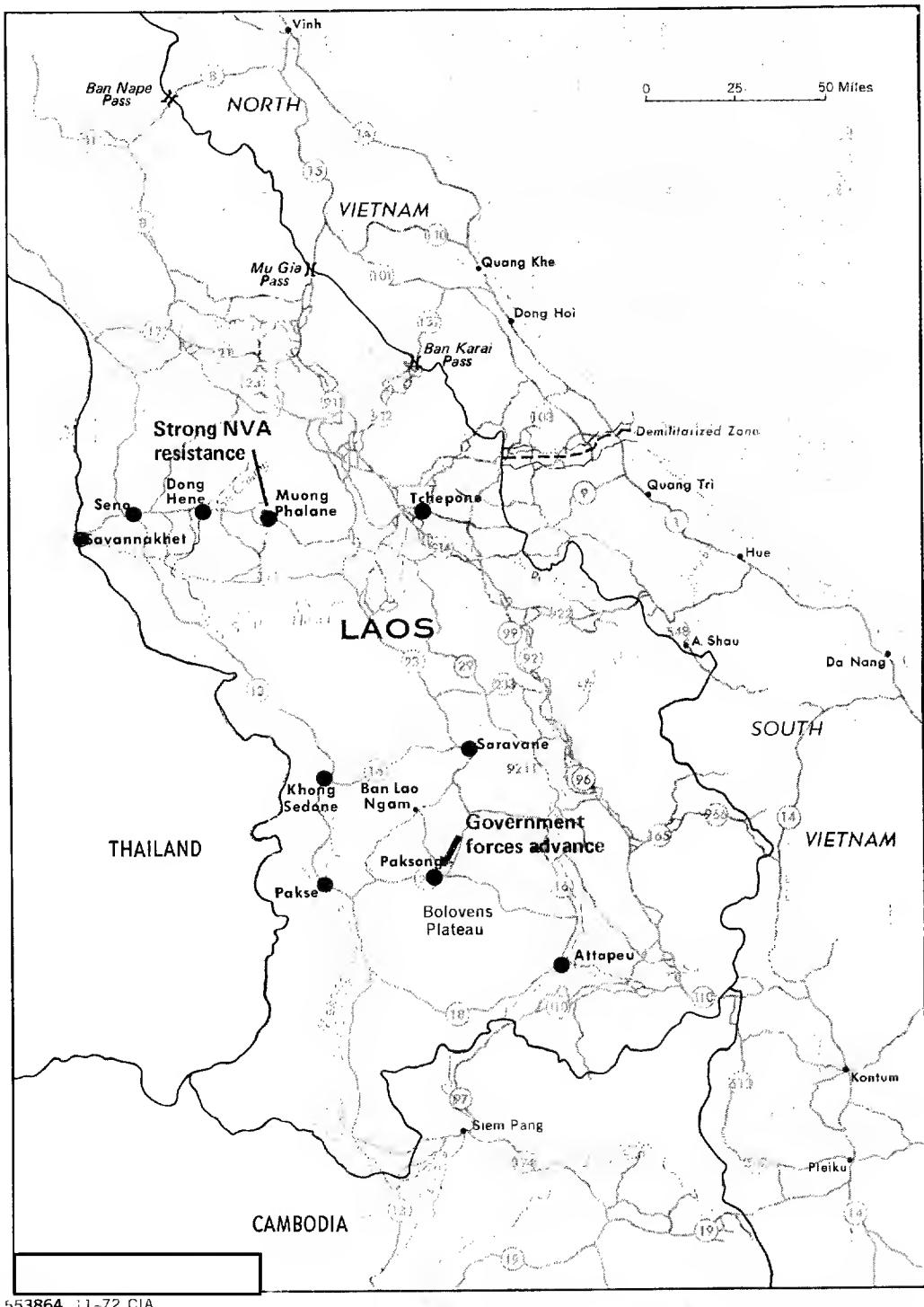
In many sectors of the country the Communists appear to be relying heavily on terrorist tactics to sustain their grass roots position during the current period of uncertainty about a cease-fire. The targets of this increased enemy activity are mostly soldiers, police, and village and hamlet officials. Most of the incidents are probably conducted by local force and small sapper units. [redacted]

25X1

[redacted] Communist military units in Tay Ninh Province have been told to avoid significant combat with South Vietnamese forces pending new instructions from COSVN, but to increase low-level activity, including sabotage and terrorism. These relatively inexpensive actions are likely to increase in weeks ahead as the Communists seek to rest and refit many of their major combat units. [redacted]

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LAOS: The government is stepping up its campaign to recapture territory in the south.

Irregular forces have launched an operation to retake Paksong, the principal town on the Bolovens Plateau held by the Communists for nearly a year. Seven battalions dispersed a small Communist blocking force and on 27 November were within eight miles of Paksong. Only one untested battalion of the North Vietnamese 968th Division is now at Paksong.

North of the Bolovens, the irregulars are clashing sporadically with Communist units near Saravane, a provincial capital recaptured by the government last week. Four North Vietnamese battalions remain nearby, but heavy casualties have forced these units to rest and refit before attempting to retake the town.

In the central panhandle, a 12-battalion irregular force is encountering strong resistance from elements of the North Vietnamese 29th Independent Regiment entrenched in the village of Muong Phalane on Route 9. The Communists can be expected to stage a determined defense there to forestall any government moves against the Ho Chi Minh trail complex not far to the east.

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ITALY: Returns from scattered local elections have jolted the fragile government of Christian Democratic Prime Minister Andreotti.

The elections last weekend involved only about one tenth of Italy's 37 million registered voters. They took on national importance as the first test of public opinion since the installation last summer of the centrist Andreotti government, in which conservative Liberals replaced the Socialists of the long-standing center-left alignment.

The Christian Democrats and one of their coalition partners, the Liberals, both lost slightly in the election. The other two government parties, the Republicans and the Social Democrats, made modest gains. These two parties have shown interest in a return to a coalition with the Socialists. The Socialists themselves gained 3.1 percent, more than any other single party. The Socialist victory is the more telling because the party's congress earlier this month had shown a majority favoring early re-entry into the government. Andreotti personally campaigned on the theme that the voters should ratify his center government formula.

Voting support for both the neo-fascist Social Movement and the Communist Party dropped markedly in comparison with the national polling last May, although it increased over that polled in the more comparable previous municipal elections. A Communist-backed alliance was narrowly victorious in both a Senate and a Chamber of Deputies by-election.

The government's poor showing may derive in part from a recent, sharp increase in prices together with some drop in employment. The cost of living rose 1.2 percent last month, the largest monthly increase in 25 years. Reflecting the continued sluggishness in the economy, employment in September was two percent lower than a year earlier.

(continued)

The coalition parties can point to few current signs of sustained recovery from Italy's two-year-long recession. Official growth forecasts for gross national product have been continually revised downward this year to a present estimate of three percent. With considerable unused industrial capacity, investment remains weak. Industrial production has barely increased this year, and agriculture suffered a severe setback because of adverse weather.

Economic performance next year, however, may show some improvement. Consumption expenditures appear to be on the rise, as indicated by growing retail sales. Planned increases in new building indicate a pickup in construction activity, which has been seriously depressed since 1970. With many exporters paring down their prices, foreign demand for Italian goods remains strong.

25X1

THE YEMENS: The Yemeni presidents have signed an agreement in Tripoli which carries unity a step further and appears to give Sana an initial advantage.

The agreement signed yesterday designates Sana as the capital of the unified state, which will be called the Yemeni Republic. Sana's President Iryani probably insisted on this in an effort to make unity more palatable to his domestic opposition, which is extensive. Aden's President Ali may have found resistance impractical in view of the fact that the summit was held under the close supervision of Libyan President Qadhafi, an avowed foe of Ali's Marxist regime.

Despite this initial progress, much remains to be accomplished before actual unity is achieved, and reconciling Aden's Marxism with Sana's more traditional government will not be easy. There is now to be a year-long process during which a joint committee of the two states will draft a constitution, which must then be ratified by the two legislatures and approved in a popular referendum. Prospects are further dimmed by a recent incident on the border which resulted in the deaths of several Sana sheikhs at the hands of tribesmen reportedly backed by Aden; these included two prominent tribal leaders whose hawkish followers may be intent on avenging their leaders.

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NOTES

THAILAND: Communist insurgents in the north-east have attacked a district headquarters for the first time. According to preliminary reports, there were no casualties in the 25 November attack on Na Kae in Nakhon Phanom Province, but the insurgents did manage to disable an electric substation and burn two bridges. [redacted]

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[redacted] the attack may be part of a larger insurgent effort to step up military pressure temporarily in an area where, up to now, the Communists have concentrated on developing a political apparatus in the villages. The insurgents may hope to upstage or disrupt a government military campaign in the area scheduled for next month. In any event, the attack is a psychological blow to Bangkok, which has singled out Na Kae District as the model for the government's counterinsurgency program in the northeast. [redacted]

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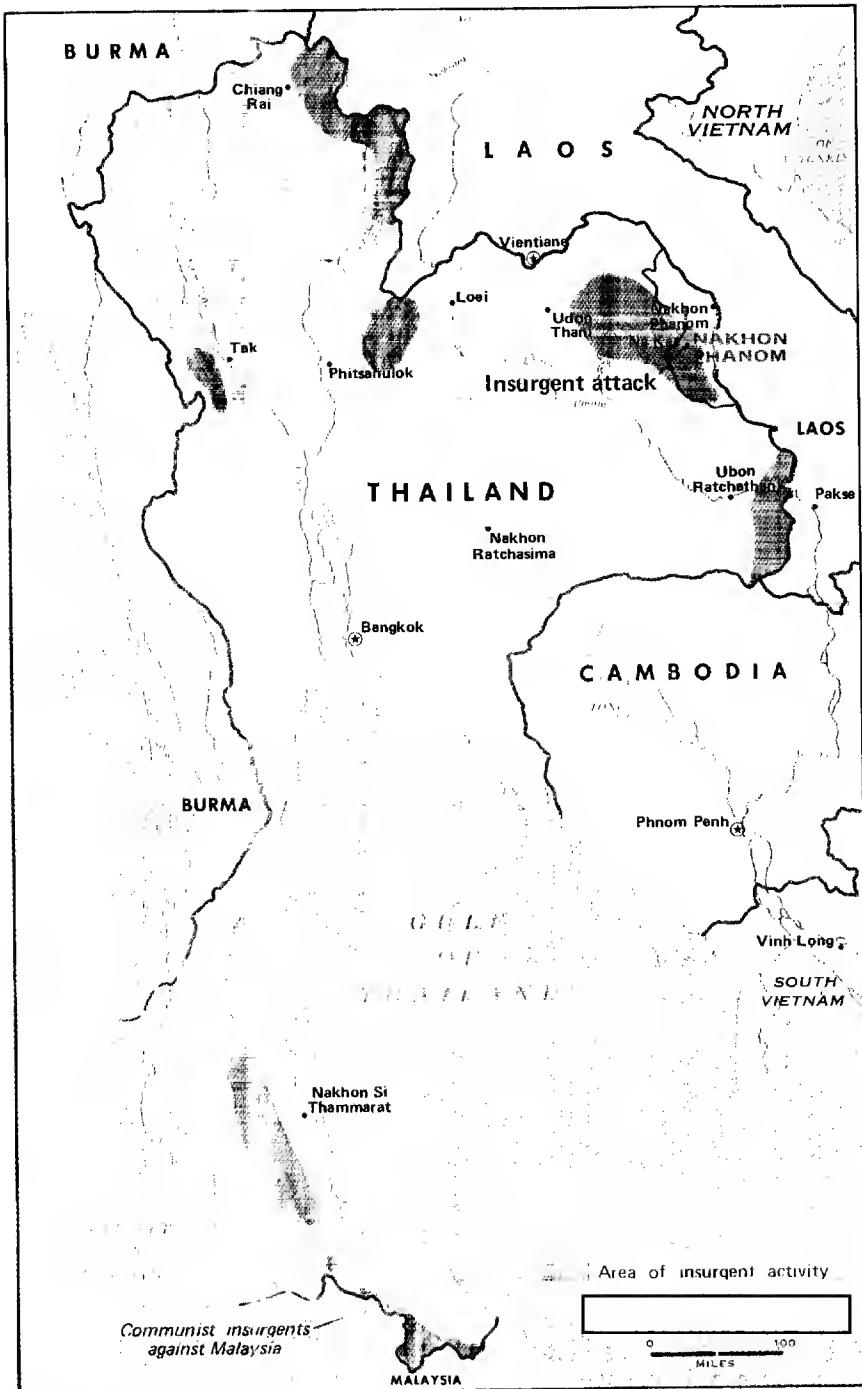
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EUROPEAN LABOR: European labor leaders will try again this week to create a trade union confederation that would better represent labor's interests in the European Communities. British unionists have resisted involvement in an organization centered on the Communities, but they are now willing to participate, with the qualification that membership not be limited to unions in EC countries. Several points of controversy among the national movements remain. Chief among these are the new organization's relationship to the International Confederation of Free Trade Unions (ICFTU) and attitudes toward the Communist-dominated unions in Italy and France. Andre Bergeron, leader of France's Socialist-oriented ICFTU affiliate, has reportedly decided to oppose the creation of a European labor organization because he judges that the admission of Communist unions would follow. Bergeron intends to filibuster during the upcoming meeting. [redacted]

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